



# RETIREE NEWS

Summer 2007

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## Retirement Board

Sue DeFrancesco  
Chairman  
Charles Silvestri  
Vice Chair  
Elizabeth Fretwell  
Member  
Purismo Hernandez  
Member  
David F. Kallas  
Member  
George W. Stevens  
Member  
Warren Wish  
Member

## Executive Staff

Dana K. Bilyeu  
Executive Officer  
Tina M. Leiss  
Operations Officer  
Ken Lambert  
Investment Officer

## New Logo and Motto

At their July meeting, the Retirement Board approved a new motto and logo for the System. The new motto, "Dedicated to Those Who Serve Nevada" and the new logo better reflect the nature of PERS today.

Look for this new logo as we update all PERS documents and publications. ■

## 2007 Legislature—Final Report

The legislative program for Nevada PERS was conservative in nature as the Retirement Board remained focused on managing contribution rate volatility, funding for the long-term stability of the System and maintaining the integrity of the benefit structure. Under the Retirement Board's funding policy, the Board may only consider benefit improvements when "*the actuarially determined employer contribution rate would drop by at least 1% and the employee/employer pay rate would drop by at least .5% from the statutory rate and remain sufficient to meet the requirements of the funding policy.*" As fiduciaries, it is the Retirement Board's duty to act in the best interests of the members and beneficiaries of the System. Keeping this long-term fiscally conservative focus framed the Board's agenda in 2007.

No benefit modification legislation was processed during the 2007 legislative session. Two bills affecting PERS as an agency were passed.

**Senate Bill 183** modifies a position title within the executive staff to better reflect the duties of the position.

**Senate Bill 457** requires the Retirement Board, acting as the *Retirement Benefits Investment Board (RBIB)*, to establish a fund for the purpose of investing monies from the State and local government trusts created to fund liabilities associated with Other Post Employment Benefits (OPEB). The Board established the fund at the initial meeting of *RBIB* in July. The System stands ready to receive funding from the State and local governments for purposes of investment of the trusts. ■

DEDICATED TO THOSE WHO SERVE NEVADA

## PERS' Assets Exceed \$22 Billion

Fiscal year 2007 was a successful one for PERS' investment program. PERS generated a 14.8% return for fiscal year 2007. The fund ended the fiscal year with \$22.5 billion in assets, a \$3 billion gain from the prior year.

The investment program is designed to achieve one goal, generate an 8% average long term return while minimizing risk. At all times the assets are managed for the exclusive benefit of PERS' members and benefit recipients. This singular focus on risk management and maximizing results for our members is critical because return volatility can influence contribution rates and the funded status of the plan.

While the System must take risk to make money, we are very focused on minimizing that risk. The technical term for this approach is "portfolio efficiency". In other words, we want to get paid as much as possible for every bit of risk we take. To achieve this objective, our investment philosophy is focused on the "three C's".

### Consistent

Consistency is a key factor to investment success. Time diversification (or said another way, patience), is an important risk control tool for PERS.

Behavioral finance (and practical experience) tells us that investors tend to buy assets when they are performing the best and sell them when they are down. These actions are contrary to investment success. Consistency and patience helps avoid these behavioral pitfalls.

In fact, a key competitive edge for public pension plans is their ability to consistently provide capital to the financial markets over decades of time. True to this philosophy, PERS' maintains a very steady hand when investing in the capital markets.

### Conservative

PERS is more conservatively structured than the average public fund. The fund holds a larger allocation in lower risk bonds, and does not target investments in high yield (i.e. junk) bonds, emerging market securities or smaller, more aggressive stocks. PERS also doesn't participate in aggressive or leveraged management strategies such as hedge funds.

The result is PERS has the lowest statistical risk of any state pension plan for the last 10 and 20 year periods. We have also generated a very competitive risk-adjusted return, ranking in the top 10% of public pension plans for the last 23 years.

### Cost Effective

Maintaining a low cost investment program is critical to an investor's long term success, because every dollar paid out in fees is no longer available to generate future earnings.

Nevada's fees are very competitive. PERS' investment costs are 55% below the industry average, saving the fund \$34 million per year. Given PERS' size, this savings, over a ten year period results in over \$750 million in additional earnings compared to the average pension plan. ■

## Protecting Trust Fund Investments

During the 2007 legislative session, social investing criteria became an issue for the trust funds. Requests were made that the Board of Trustees consider divestment from certain assets held in trust based upon social grounds. The System opposed these efforts since the fund is a trust and the Board must only invest for the exclusive economic benefit of the members and beneficiaries of the fund. The Nevada Constitution provides the framework for the trust nature of the pension fund. It states:

- ...
- Any money paid ... for the purpose of funding and administering a public employees' retirement system..., such money must never be used for any other purposes, and they are hereby declared to be trust funds for the uses and purposes herein specified.

Nevada Constitution, Article 9, section 2.

The Board of Trustees administers the trust on behalf of over 140,000 members and beneficiaries. Any investment decision based upon grounds other than the exclusive benefit of the members and beneficiaries of the trust fund raises significant issues of fiduciary liability. The Retirement Board, as fiduciaries, is quite concerned about the issue and continues to review the financial impact to the members, beneficiaries and taxpayers of investing based upon social grounds. The Board will maintain its sole focus on the financial well-being of the trust and the funded status of the System in setting investment policy. ■

# Meet Your Retirement Board

**Sue DeFrancesco**  
Chairman



**Charles Silvestri**  
Vice-Chairman



**Sue DeFrancesco**—Dr. DeFrancesco is the Chairman of the Retirement Board and was appointed to the Board in October 2001. She is the Assistant Region Superintendent (Northwest Region) for Clark County School District in Las Vegas. She has been employed by Clark County School District for twenty years.

**Charles Silvestri**—Mr. Silvestri is the Vice-Chairman of the Retirement Board and was appointed to the Board by Governor Guinn in 1999. He retired from the Clark County School District in 1989 where he was employed as a teacher, Associate Superintendent of the Human Resources Division, Acting Superintendent for the 1981-82 school year, and Deputy Superintendent for the Human Resources and Business and Finance Divisions. He also served as the Clark County School District lobbyist during the 1989 legislative session. After retiring from the Clark County School District, Mr. Silvestri worked for Southwest Gas Corporation as Director of Consumer and Community Relations until 1999. Mr. Silvestri received the honor of having a school named after him, the Charles Silvestri Junior High School in Las Vegas. Mr. Silvestri is currently a government relations/public affairs consultant.

**Elizabeth “Betsy” Fretwell**—Ms. Fretwell was appointed to the Retirement Board by Governor Guinn in September 2006. In her current position as Deputy City Manager for the City of Las Vegas, Ms. Fretwell is directly responsible for the Administrative Services, Detention & Enforcement, Fire & Rescue, Government & Community Affairs, and Municipal Court Departments within the organization. Additionally, Ms. Fretwell works on various special projects such as the Union Park development agreements, negotiations, adaptive reuse of the historic Post Office and Courtroom, strategic planning, and leadership development.

**Purisimo “Eddie” Hernandez**—Mr. Hernandez was appointed to the Board in October 2001. He is an Accountant Technician III with the State of Nevada Department of Transportation and serves as the Treasurer of the Sierra Range Chapter, State of Nevada Employees’ Association.

**David F. Kallas**—Detective Kallas was appointed to the Board by Governor Guinn in November 2002. A 26 year police officer with the Las Vegas Metropolitan Police Department, Detective Kallas is the past Executive Director of the Las Vegas Police Protective Association (PPA) and currently serves as the Director of Governmental Affairs for the PPA. He also serves as a trustee for the Las Vegas Metropolitan Police Department Employee Health and Welfare Trust.

**George Stevens**—Mr. Stevens was appointed to the Retirement Board by Governor Guinn in July 2003. He has twenty-two years of experience in public finance in the State of Nevada, and is currently the Chief Financial Officer for Clark County and the University Medical Center of Southern Nevada.

**Warren Wish**—Mr. Wish was appointed to the Retirement Board by Governor Guinn in October 2001. He also serves on the board of directors of the Nevada State Education Association. Mr. Wish has been a counselor with the Carson City School District since 1974. He is a past president of the Ormsby County Education Association and is very active as the leader of the Carson City Guide Dog club.



**Elizabeth Fretwell**  
Member



**Purisimo Hernandez**  
Member



**David Kallas**  
Member



**George Stevens**  
Member



**Warren Wish**  
Member

# Retired Public Safety Officer Tax Exclusion

If you believe you meet the definition of a retired Public Safety Officer as defined in Section 845 of the Pension Protection Act, you may be eligible for a yearly tax exclusion up to \$3000 if you currently have a deduction from your PERS check for the payment of medical and/or long-term care insurance.

Please be advised that in order for you to receive the exclusion, the administrator of your insurance plan must also meet certain criteria out-lined in Section 845 and make the election to participate in the program. Retirees and their insurance administrators are ultimately responsible for determining whether or not they meet the criteria for participation in this program.

PERS developed forms for both you and your insurance administrator to complete and return to our office in order to sign up for the program. If you believe you qualify for this benefit, contact our office and request a Retired Public Safety Officer Tax Exclusion Agreement packet be mailed to you. ■

## 2007 Check Mail Dates\*

January 26, 2007  
February 23, 2007  
March 27, 2007  
April 25, 2007  
May 25, 2007  
June 26, 2007  
July 26, 2007  
August 28, 2007  
September 25, 2007  
October 25, 2007  
November 27, 2007  
December 26, 2007

\*Remember, with Automatic Deposit your funds will be in your account on the above dates.

## PERS Is Expanding

PERS will be opening a second Las Vegas office in the Northwest area this fall to better accommodate our members and retirees. The exact office site location has yet to be determined, but should be selected soon. More updates will follow as this project develops.

If you've been to the Carson City PERS office in recent weeks you may have noticed a lot of activity on our building. The Carson City office is also expanding to accommodate our members and retirees. Please excuse any inconvenience for the next few months; this project should be complete this fall. ■

This publication is intended to provide general information. If there is any conflict between this information and Nevada laws or PERS policies, the laws and policies will supersede this information.

*Retiree News* is a quarterly newsletter for retired members and benefit recipients of the Public Employees' Retirement System of Nevada. Comments or suggestions may be directed to: PERS, Newsletter, 693 W. Nye Lane, Carson City, Nevada 89703

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We're on the Web!  
[www.nvpers.org](http://www.nvpers.org)